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** Application for Pro Hac Vice Admission
Forthcoming*

Attorneys for Plaintiff Alchera X, Inc.

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA**

Alchera X, Inc., a Delaware corporation,

Civil Action No.

Plaintiff.

V.

Jin Hong, an Arizona resident,

COMPLAINT

Defendant.

Jury Trial Demanded

Defendant

Plaintiff Alchera X, Inc. (“Alchera X” or the “Company”), by and through the undersigned attorneys, brings this action against Defendant Jin Hong (“Hong” or “Defendant”) for conversion, breach of fiduciary duty, breach of contract, fraudulent misrepresentation, constructive fraud, and unjust enrichment. In support of these claims, Plaintiff alleges as follows:

NATURE OF THE ACTION

1. Alchera X brings this action to recoup nearly \$400,000 of company funds

1 that were wrongfully taken by Jin Hong, a terminated former employee and the
2 Defendant in this action.

3 2. After rising to a position of leadership as Chief Operating Officer (“COO”)
4 in the headquarters of Alchera X’s parent company, Alchera, in the Republic of Korea,
5 Hong became the Chief Executive Officer (“CEO”) for Alchera’s U.S.-based subsidiary,
6 Alchera X. Although Alchera was based in Los Angeles, upon relocation to the United
7 States, Hong decided unilaterally to pursue a personal move for himself and his family
8 to Scottsdale, Arizona. Despite having no obligation to do so, and without any formal
9 agreement to do so, the Company supported him financially in this move.

10 3. After moving to Arizona, Hong’s performance declined rapidly. He did
11 not meet any sales objectives pertaining to accounts or sales. He did not work personally
12 with any of the key accounts, or with the Company’s sales, marketing, and technology
13 staff. Hong’s lack of direction, focus, and support cost the company over \$1 million in
14 a single year.

15 4. Hong’s failure to adequately perform aside, he also engaged in serious
16 personal misconduct. He stole company funds by making unauthorized personal
17 purchases of approximately \$23,000 to a Company credit card and withdrawing
18 \$114,000 from a Company account with no authorization or proper purpose. Without
19 any authorization or authority to do so, Hong unilaterally awarded himself an additional
20 \$14,585 per month, despite failing to meet the contractually-agreed-upon financial
21 targets that may have earned him an increase in salary. Hong further failed to repay a
22 Company loan of \$225,000, in clear breach of a written agreement to do so.

23 5. This misconduct and failed performance led to Hong’s ultimate
24 termination in December of 2023.

25 6. Although he had been terminated for cause, Hong continued to represent
26 himself as CEO of Alchera X and harassed employees of the Company, unfairly extorting
27 them in an effort to have them communicate Hong’s threats to other employees in the
28 company.

7. Hong's theft of Company funds has caused significant disruption to Alchera X's business, including payroll difficulties and risk of significant penalties under California law, where Alchera X's base of operations is located.

JURISDICTION

8. There is complete diversity of citizenship between all Plaintiffs and all Defendants in this case. The amount in dispute in this action, exclusive of interests and costs, exceeds the sum of \$75,000. As a result, this Court has subject matter jurisdiction over all claims pursuant to 28 U.S.C. § 1332.

9. This Court has general personal jurisdiction over Defendant because Defendant is a citizen and resident of the state of Arizona.

10. This Court has specific personal jurisdiction over Defendant because the events giving rise to the claim occurred in the state of Arizona and because, on information and belief, all or substantially all of the wrongfully-taken Company property is now located in Arizona.

VENUE

11. Venue is proper in this District pursuant to 28 U.S.C. § 1391 because Defendant resides in this District and a substantial part of the events or omissions giving rise to Plaintiffs' claims occurred in this District. Accordingly, Defendant conducted and continues to conduct substantial actions in this District, a substantial part of the transactions at issue took place in this District, and Defendant's liability arose, in whole or in part, in this District.

PARTIES

12. Plaintiff Alchera X is a corporation incorporated in Delaware with its principle place of business in California. The Company's U.S. headquarters is in Los Angeles, California. Alchera X's parent company, Alchera, is headquartered in Korea.

13. Alchera X is a Visual Recognition AI Company specializing in identifying people's faces and other identifiable variables such as age and emotion. Alchera is one of the top ten Facial Recognition companies in the world. They have received awards

1 for their technology as well as for being the #1 provider of facial recognition security for
2 the Korean banking system. Alchera is coordinating with Alchera X to expand their
3 business and technology into the U.S. market and throughout the rest of the world.

4 14. Defendant is an individual who, since approximately July 29, 2023, has
5 resided in Scottsdale, Arizona and is a citizen of Arizona.

6 15. Specifically, Defendant's roles at the Company included the International
7 Business Division Director, Chief Operating Officer, and Chief Executive Officer of
8 Alchera X. From March 1, 2022 until December 19, 2023, Defendant served as an officer
9 of the Company.

10 **FACTUAL ALLEGATIONS**

11 16. While CEO of the Company and living and working in Korea, Defendant
12 decided to re-settle his family in Scottsdale, Arizona. The Company permitted this
13 arrangement but did not agree to cover any associated expenses including but not limited
14 to moving expenses, furniture expenses, or living expenses.

15 17. After relocating to Arizona, Defendant began to engage in a series of
16 unprofessional conduct indicating that he was unfit for his position and that he lacked
17 the personal and professional judgment to continue holding a position of trust with the
18 Company.

19 18. Defendant failed to meet performance objectives, including his primary
20 role of expanding global sales. Under the plain terms of Defendant's employment
21 contract with the Company, expansion of global sales would be a prerequisite for any
22 increase in pay. Hong also did not meet any sales objectives pertaining to accounts or
23 sales and did not work personally with any of the key accounts, or with sales, marketing,
24 and technology staff. Hong's lack of direction, focus, and support cost the company over
25 \$1 million in expenses in a single year.

26 19. Defendant's failing performance manifested in significant financial losses
27 for the Company, including a \$1 million operating loss. But his poor performance did
28 not end there. His actions also required the company to pay over \$80,000 plus legal fees

1 to settle a complaint with a marketing agency. The Company also spent tens of thousands
2 of dollars setting up a SOCKET SECURE (SOCKS) system for a potential customer that
3 never materialized as a direct result of Defendant's actions. In connection with this lost
4 business opportunity, the Company also was required to add additional employees
5 prematurely that were ultimately rendered unnecessary due to the loss of the anticipated
6 workstream, at total costs of over \$100,000. And the company was unable to make
7 adequate sales to compensate for business investment and operational costs.

8 20. In addition to failing to meet performance objectives, Defendant engaged
9 in a series of unauthorized personal withdrawals of Company funds. Defendant charged
10 over \$23,000 in personal expenses to a Company credit card, withdrew \$114,000 from a
11 Company bank account without authorization, and awarded himself a \$225,000
12 Company personal loan that would become due immediately upon termination according
13 to loan documents.

14 21. On October 30, 2023, Defendant withdrew \$7,858.59 from a Company
15 bank account without authorization. On December 13, 2023, Defendant withdrew
16 another \$22,209.40 from a Company bank account without authorization. On December
17 27, 2023, *eight days after Defendant was terminated for cause*, Defendant made another
18 five unauthorized withdrawals from a Company bank account, totaling \$84,144.07, in
19 five separate transactions in the amounts of \$144.07, \$9,000.00, \$25,000, \$25,000, and
20 \$25,000. Defendant did not have authorization for any of these withdrawals. Records
21 of these unauthorized withdrawals are attached hereto as **Exhibit A** to this Complaint.

22 22. In 2023, Defendant charged over \$23,000 of unauthorized, personal
23 expenses to a Company credit card. These charges included purchases such as \$189.08
24 at Home Depot, \$3,499.96 at Amazon, \$18,009.43 at West Elm, \$74.82 at Ikea, \$155.67
25 at Target, \$211.31 at Cave Creek Outfitters, \$225.76 at HomeGoods, \$158.82 at Wayfair,
26 \$60.02 at Nike, \$10.79 at Best Buy, and \$602.96 at Walmart unrelated to company
27 business. Records of these unauthorized transactions are attached hereto as **Exhibit B**
28 to this Complaint.

1 23. In August 2023, Defendant unlawfully awarded himself a raise of
2 approximately \$14,585 per month, bringing his monthly salary from \$22,916 to \$37,500
3 and his annual salary from \$275,000 to \$450,000. This raise represented a 63% increase
4 in Defendant's salary, which was entirely unearned and unauthorized. Records of this
5 unauthorized raise are attached hereto as **Exhibit C** to this Complaint.

6 24. On December 19, 2023, Defendant was terminated for cause.

7 25. The reasons for Defendant's termination included embezzlement of
8 Company funds, lack of fiduciary responsibility, unauthorized purchases, and for failure
9 to meet performance objectives, including expansion of global sales.

10 26. Since Defendant's termination, Defendant has threatened Company
11 employees, falsely held out himself as the current CEO of Alchera X, and deliberately
12 attempted to interfere with Company business.

13 27. Following his termination, Defendant intentionally misrepresented himself
14 as the current CEO of Alchera X to several Company employees, intending those
15 employees to rely on this false display of authority. While falsely representing himself
16 as CEO of Alchera X, in order to harm the company in retaliation for his termination,
17 Defendant directed employees to cease business at Defendant's orders or face legal
18 retribution.

19 28. For example, more than ten days after Defendant's termination, Defendant
20 directed an Alchera X employee, Catherine Coan, his former Chief of Staff, to direct all
21 Alchera X employees to cease "all sales, operations, and communications at AX" or else
22 risk "corporate and personal legal action" from Defendant. Following Defendant's
23 orders, Ms. Coan sent an email to all relevant Company employees stating the same.

24 29. As a result of Defendant's actions, including his theft of hundreds of
25 thousands of dollars in Company funds, the Company's payroll was nearly compromised.

26 30. Defendant also made harassing calls to several Company employees,
27 including Steve Monnier, conveying substantively the same messages contained in
28 Defendant's communications with Ms. Coan. The abusive communications caused

1 significant distress to employees and disruption to the Company's business.

2 31. As a result of Defendant's theft of Company funds, the Company was
3 forced to operate with **ZERO** funds in its account. It took almost two weeks to secure
4 additional funding from the parent company—and the parent company hesitated to send
5 over any additional funding specifically because Defendant still had access to the bank
6 accounts, and all stakeholders reasonably feared that Defendant's theft would continue.

7 32. As a result of Defendant's theft, and to prevent further theft from
8 Defendant, the Company was also required to work with several banks in the United
9 States in order to make the transition to a new account. During this time, the Company
10 was placed on a credit hold because of Defendant's theft of funds.

11 33. The Company also began to receive a number of calls from vendors that
12 could not be or had not been paid as a direct result of Defendant's actions and failed
13 supervision. This severely disrupted the Company's operations, forcing the current CEO
14 to spend hours of time calling and traveling (at the cost of several thousand dollars) to
15 key banks to resolve the issues and to expend significant time repairing relationships
16 with important vendors.

17 34. The theft also impacted the company's relationship with KOTRA, Korean
18 investment authority and important business relationship the Company maintains. While
19 Defendant continued to make false representations about his status as the CEO after he
20 had been terminated, the Company engaged in several visits to and communications with
21 KOTRA clarify the current leadership status at the Company.

22 35. In addition, when several of Alchera's key accounts had heard about
23 Defendant's theft and termination, that news created another cascade of concerns
24 regarding the future of the Company, its staff, and its ability to operate to support a
25 number of accounts. While these issues were resolved over a period of months (after a
26 significant investment of time from the Company's remaining employees, including its
27 new CEO), the Company's financial status, reputation, and current and prospective
28 business relationships were all put at risk as a result of Defendant's actions.

1 36. Also as a result of Defendant's actions and their financial ramifications on
2 the Company, including significant amounts of lost revenue, the Company has been
3 forced to terminate several employees. The Company continues to experience residual
4 fallout from Defendant's poor leadership, failure to execute on his assigned goals, and
5 his theft of Company funds. The Company continues to expend significant resources to
6 work towards creating a stable team that can continue to move forward for the future
7 development of the Company, which operates in a dynamic and hypercompetitive
8 industry.

9 37. As of this filing, Defendant has also failed to repay a \$225,000 Company
10 personal loan that became due immediately upon termination according to loan
11 documents. These documents are attached hereto as **Exhibit D** to this Complaint.

COUNT ONE

Conversion: \$23,000 In Unauthorized Company Credit Card Charges

14 38. Plaintiff realleges and incorporates by reference its allegations in
15 Paragraphs 1 through 37.

16 39. As an officer of the Company, Defendant was granted access to all
17 finances/accounts/funds of the Company.

18 40. By committing the acts described above, Defendant wrongfully exerted
19 control and dominion over Company property (funds) inconsistent with his rights and
20 deprived the Company, the other Officers/Directors, and/or the Shareholders of their
21 rights, properties, and/or monies.

22 41. Defendant's acts cannot be excused by care, good faith, or lack of
23 knowledge.

24 42. As described above, Defendant unlawfully took Company funds without
25 prior authorization to do so, which is required for all expenditures of Company funds per
26 Company policies. Specifically, Defendant charged over \$23,000 in personal expenses
27 to a Company credit card.

28 || 43. Defendant used Company funds for personal purchases, which he knew

1 was not permitted or authorized.

2 44. As a result of Defendant's unlawful conversion of Company funds, the
3 Company was deprived of operating funds and experienced payroll difficulties.

4 45. Defendant's actions have caused damages to the Company, its
5 shareholders, and the other Officers/Directors in an amount to be proven at trial but, in
6 no event, less than the \$75,000 amount necessary to establish diversity jurisdiction.

7 46. Even if Defendant were to return the wrongfully-obtained property or
8 otherwise repay his theft/conversion, the return of money would not nullify his acts.

9 47. In addition, and because of the intentional nature of this claim, Defendant
10 may be liable for punitive or exemplary damages and/or subject to disgorgement of his
11 shareholder, officer and director positions.

12 **COUNT TWO**

13 **Conversion: \$114,000 in Unauthorized Withdrawals from Company Bank**

14 **Account**

15 48. Plaintiff realleges and incorporates by reference its allegations in
16 Paragraphs 1 through 47.

17 49. As an officer of the Company, Defendant was granted access to all
18 finances/accounts/funds of the Company.

19 50. By committing the acts described above, Defendant wrongfully exerted
20 control and dominion over Company property (funds) inconsistent with his rights and
21 deprived the Company, the other Officers/Directors, and/or the Shareholders of their
22 rights, properties, and/or monies.

23 51. Defendant's acts cannot be excused by care, good faith, or lack of
24 knowledge.

25 52. As described above, Defendant withdrew a total of \$114,000 from a
26 Company bank account without authorization.

27 53. On October 30, 2023, Defendant withdrew \$7,858.59 from a Company
28 bank account without authorization. On December 13, 2023, Defendant withdrew

1 \$22,209.40 from a Company bank account without authorization. On December 27,
 2 2023, Defendant withdrew \$144.07, \$9,000.00, \$25,000, \$25,000, and \$25,000 from a
 3 Company bank account in separate transactions without authorization.

4 54. Defendant used Company funds for personal purchases, which he knew
 5 was not permitted or authorized.

6 55. As a result of Defendant's unlawful conversion of Company funds, the
 7 Company was deprived of operating funds and experienced payroll difficulties.

8 56. Defendant's actions have caused damages to the Company, its
 9 shareholders, and the other Officers/Directors in an amount to be proven at trial but, in
 10 no event, less than the \$75,000 amount necessary to establish diversity jurisdiction.

11 57. Even if Defendant were to return the wrongfully-obtained property or
 12 otherwise repay his theft/conversion, the return of money would not nullify his acts.

13 58. In addition, and because of the intentional nature of this claim, Defendant
 14 may be liable for punitive or exemplary damages and/or subject to disgorgement of his
 15 shareholder, officer and director positions.

16 **COUNT THREE**

17 **Conversion: Unauthorized Raise Totaling \$43,755**

18 59. Plaintiff realleges and incorporates by reference its allegations in
 19 Paragraphs 1 through 58.

20 60. As an officer of the Company, Defendant was granted access to all
 21 finances/accounts/funds of the Company.

22 61. By committing the acts described above, Defendant wrongfully exerted
 23 control and dominion over Company property (funds) inconsistent with his rights and
 24 deprived the Company, the other Officers/Directors, and/or the Shareholders of their
 25 rights, properties, and/or monies.

26 62. Defendant's acts cannot be excused by care, good faith, or lack of
 27 knowledge.

28 63. Defendant awarded himself a raise of approximately \$14,585 per month

1 without authorization for approximately three months, totaling \$43,755.

2 64. Defendant used these Company funds for personal reasons, which he knew
3 was not permitted or authorized.

4 65. As a result of Defendant's unlawful conversion of Company funds, the
5 Company was deprived of operating funds and experienced payroll difficulties.

6 66. Defendant's actions have caused damages to the Company, its
7 stakeholders, and the other Officers/Directors in an amount to be proven at trial but, in
8 no event, less than the \$75,000 amount necessary to establish diversity jurisdiction.

9 67. Even if Defendant were to return the wrongfully-obtained property or
10 otherwise repay his theft/conversion, the return of money would not nullify his acts.

11 68. In addition, and because of the intentional nature of this claim, Hong is
12 liable for punitive or exemplary damages and/or subject to disgorgement of his shares in
13 the Company and well as his officer and director positions.

14 **COUNT FOUR**

15 **Breach of Fiduciary Duty**

16 69. Plaintiff realleges and incorporates by reference its allegations in
17 Paragraphs 1 through 68.

18 70. As an officer of the Company, Defendant owed a fiduciary duty to the
19 Company and his fellow Officers/Directors to act in the interest of the Company, putting
20 aside his own personal gain.

21 71. By taking the actions described above, Defendant breached his fiduciary
22 duty to the Company by, at least: failing to meet performance objectives, unlawfully
23 converting Company funds for personal use without authorization, depriving the
24 Company of operating funds, and directing employees to act contrary to the best interests
25 of the Company.

26 72. Defendant committed such egregious acts that he could not be excused by
27 the "Business Judgment Rule" or any similar rule of construction that would allow him
28 to take such actions.

73. Defendant's actions have caused damages to the Company, its shareholders, and the other Officers/Directors in an amount to be proven at trial but, in no event, less than the \$75,000 amount necessary to establish diversity jurisdiction.

74. In addition, and because of the intentional nature of this claim, Defendant may be liable for punitive or exemplary damages and/or subject to disgorgement of his shareholder, officer and director positions.

COUNT FIVE

Breach of Contract: Failure to Repay Intentionally- or Negligently-Caused Damages and/or Losses

75. Plaintiff realleges and incorporates by reference its allegations in Paragraphs 1 through 74.

76. Defendant's employment with the Company was governed by an employment agreement executed on March 1, 2022.

77. This contract provides, *inter alia*, that “in the event where Employee intentionally or negligently causes damages or losses to the Company during or after the Term of this Agreement, Employee shall compensate the Company for such damages or losses suffered.”

78. Pursuant to this contract, Defendant has failed to compensate the Company for damages and losses associated with his unlawful conversion of Company funds for personal use. This represents a breach of the contractual provision described in the preceding paragraph.

COUNT SEVEN

Fraudulent Misrepresentation

79. Plaintiff realleges and incorporates by reference its allegations in Paragraphs 1 through 78.

80. Defendant provided false information, namely that, following his termination from the Company, he was still holding the title of CEO of the Company.

81. At the time Defendant made this representation, Defendant intended

employees of the Company, agents of the Company, and others to rely on this information or knew they reasonably would rely.

82. While falsely holding himself out to be the current CEO of the Company, when he had been terminated, Defendant deliberately attempted to interfere with Company business by directing that all pipelines, operations, employee contracts, and communications at the Company fall under his authority and directing that all sales, operations, and communications within the company, including between the Company, Alchera X, and its parent company, Alchera, in Korea, cease immediately. In connection with these directions, Defendant threatened legal action if employees did not comply.

83. Defendant also directed the Company to direct all financial operations through Defendant, including payroll.

84. In communicating the above, Defendant failed to exercise reasonable care.

85. The Company, employees of the Company, and others relied on this incorrect information to their detriment, namely causing hundreds of thousands of dollars in loss of operating expenses for the Company and the Company nearly missing payroll.

86. These actions constitute fraudulent misrepresentation.

COUNT EIGHT

Unjust Enrichment

87. Plaintiff realleges and incorporates by reference its allegations in Paragraphs 1 through 86.

88. Defendant received benefits, both financial and intangible, from Plaintiff and Plaintiff's work. Defendant has retained benefits far in excess of what was expected that he would receive or be compensated, and it would be inequitable for Defendant to retain the full value of the benefits he took/received.

89. Defendant's unlawful conversion of Company funds resulted in Defendant's personal enrichment at the detriment of the Company.

90. Even if no other claim is proved, Plaintiff may recover on a quantum meruit basis for the value of the benefits/monies that Defendant has inequitably retained.

1 91. Defendant converted these funds for personal use in the absence of any
2 justification or authorization from the Company.

3 92. Plaintiff will prove the amount of damage (or quantum meruit recovery) at
4 trial, but the amount should, in no event, be less than the statutory minimum for diversity
5 jurisdiction in this forum.

PRAYER FOR RELIEF

7 WHEREFORE, Plaintiff requests that this Honorable Court:

8 1. Enter judgment on behalf of Plaintiff that Defendant's actions were
9 unlawful;

10 2. Award Plaintiff actual damages equal to the amount of funds wrongfully
11 taken by Defendant: \$358,465;

12 3. Award Plaintiff compensatory, consequential, incidental, and/or equitable
13 damages (including, but not limited to, a disgorgement of benefits under an unjust
14 enrichment theory or quantum meruit measure of damages) in amounts to be proven at
15 trial (but in no event less than the statutory minimum for diversity jurisdiction);

16 4. Award Plaintiff exemplary or punitive damages as deemed appropriate;

17 5. Award Plaintiff attorneys' fees and costs arising under A.R.S. § 12-341.01,
18 A.R.S. § 25-324, and any and all other applicable bases;

19 6. Award Plaintiff further legal and equitable relief as this Court deems
20 necessary, just, and proper.

JURY DEMAND

22 Plaintiff hereby respectfully demands a jury trial as provided by Rule 38(a) of the
23 Federal Rules of Civil Procedure.

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25 DATED this 23rd day of August, 2024.

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Respectfully submitted,



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Counsel for Plaintiff Alchera X, Inc.

* Pro Hac Vice Application Forthcoming

CERTIFICATE OF SERVICE

I hereby certify that on August 22, 2024, I caused the foregoing Complaint to be electronically filed with the Clerk of the Court using the Court's e-filing system and that I served a copy of the foregoing Complaint upon counsel for Defendant.

/s/ Justin D. Kingsolver
Justin D. Kingsolver
Attorney for Alchera X, Inc.